

HOUSE BILL 565

By Todd

AN ACT to amend Tennessee Code Annotated, Title 48
and Title 67, relative to real property taxes.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 67, Chapter 5, Part 1, is amended by
adding the following as a new section:

(a) As used in this section:

(1) "Inflation" means the most recent percentage change in the consumer
price index, all cities average, published by the United States department of
labor;

(2) "Local government" means an incorporated city or town, metropolitan
form of government, county, or special school district with the authority to levy
real property taxes;

(3) "New construction":

(A) Means an addition to real property, including, but not limited
to, a structure, fixture, or other improvement to real property; and

(B) Includes an improvement or addition to an existing structure
on real property; and

(4) "Total revenue":

(A) Means the gross revenue collected from ad valorem real
property taxes levied by a local government by category of real property,
as applicable, during the immediately preceding tax year; and

(B) Excludes new gross tax revenue that is collected from new construction and collected during the immediately preceding tax year.

(b) Except by a referendum election held in accordance with subsection (c), a local government shall not increase a real property tax rate by an amount that:

(1) Would cause the local government to realize an increase in total revenue exceeding inflation plus two percent (2%); or

(2) Would cause the local government to realize an increase in total revenue exceeding inflation plus six percent (6%) over the preceding three (3) tax years.

(c)

(1) The governing body of a local government shall direct the county election commission to hold a referendum election to raise a real property tax rate by an amount that exceeds the limitations set forth under subsection (b) upon the adoption of a resolution by the governing body by a two-thirds (2/3) vote calling for a referendum election on the question.

(2) The resolution adopted by the governing body must specify the tax rate that is to be voted on by the electorate, the date on which the tax rate would go into effect, the proposed date of the election, and whether the referendum election is to be held at a special or general election.

(3) If a majority of the qualified voters of a local government voting in an election held under subdivision (c)(1) vote in favor of approving the tax rate specified in the resolution, the local government may increase the tax rate on the date specified in the resolution.

(d) The limitations provided for in this section do not apply to:

(1) Taxes levied or pledged to pay or secure the payment of the principal and interest on bonds. Taxes to pay or secure the payment of principal and interest on bonds may be levied without limitation as to rate or amount, regardless of whether the bonds are in default or in danger of default;

(2) Actions taken by the comptroller of the treasury pursuant to § 9-21-403(c); or

(3) A local government's authority to change rates for utilities that the local government owns or operates.

SECTION 2. Tennessee Code Annotated, Section 67-5-102(a), is amended by deleting subdivision (2) and substituting instead:

(2) The amount of such tax must be fixed by the county legislative body of each county, subject to a referendum if required by Section 1.

SECTION 3. This act takes effect July 1, 2024, the public welfare requiring it.